

STATEMENT BEFORE THE HOUSE  
COMMITTEE ON BANKING AND FINANCIAL  
SERVICES  
SUBCOMMITTEE ON HOUSING AND COMMUNITY  
OPPORTUNITY



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BY

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Chairman Roukema, Ranking Member Frank and distinguished Members of the Committee, thank you for this opportunity to discuss the Department of Housing and Urban Development's budget for fiscal year 2002.

I am both humbled and energized by the challenges that face us at this Department and this nation as we work to improve housing and expand opportunities for families seeking to move ahead. President Bush and I are committed to restoring the confidence of the Congress, the Department's constituents, and the American people in the operation of this Agency.

This budget is the first step toward restoring that confidence. This is a compassionate and responsible budget that will allow us to serve people more effectively, empowering individuals and communities across this great land.

The American Taxpayer will measure our success not by how much money we spend, but by how many families have a better home, by how many immigrants get the chance to buy their first house, by how many children grow up in the kind of neighborhood we all want to live in.

While, the Administration's overall growth for federal spending of 4 percent is a responsible and appropriate level, the President recognizes that we have an obligation to serve those families who still wait for the chance to own a home.

The Department of Housing and Urban Development's proposed budget increases nearly 7 percent for fiscal year 2002.

We need to tear down the barriers to homeownership. President Bush's budget includes three new homeownership initiatives to expand opportunities for hundreds of thousands of low-income and minority families.

The "American Dream Down Payment Fund" will provide \$200 million to match down payment assistance, helping more than 130,000 low-income families overcome the single greatest obstacle to homeownership.

President Bush has also proposed a tax credit which will support the rehabilitation or construction of at least 100,000 homes for low-income families over the next five years.

This Administration will also seek authority to offer low-income families new adjustable-rate mortgages called "Hybrid ARMs." These new mortgages protect new homebuyers from dramatic changes in market rates until they can establish an economic foothold.

We are strengthening the Department's traditional obligations to public housing by increasing the public housing operating budget by \$150 million.

This money can be used by local housing authorities to fund their needs, including the rising costs of utilities.

This budget renews all expiring Section 8 contracts at a cost of \$15.1 billion – an increase of \$2.2 billion over fiscal year 2001 – and funds an additional 34,000 Section 8 housing vouchers at an additional cost of nearly \$200 million.

Although market conditions affect the utilization of vouchers in different areas, under-utilization is ultimately a management issue. Just last year the Public Housing Authorities, primarily because of poor management, left behind over 300,000 families because of under-utilization of vouchers.

This budget fully funds last year's administrative CDBG request of \$4.4 billion.

In addition to full formula funding for CDBG, we will provide \$80 million in grants for Community Technology Centers in economically distressed communities.

This Administration believes that no child shall be left behind. By increasing access to information technologies, this Administration hopes to begin to bridge the gap in computer literacy.

This budget recognizes the needs of the most vulnerable people in our society. We have increased funding for elderly housing programs by \$7 million. For the disabled, we are providing an additional \$20 million to fund the "Improving Access Initiative." This proposal will assist those non-profit groups and community organizations across the country that are exempt from the Americans with Disabilities Act, but who still want their facilities to be accessible to persons with disabilities.

We are maintaining our current funding levels for homeless assistance programs, while keeping our focus more on housing than on social services. And we provide an additional \$20 million for the Housing Opportunity for Persons with AIDS program– also known as the "HOPWA" program.

All of HUD's programs for these vulnerable populations receive sustained or increased funding levels.

This budget also recognizes the damage done by lead-based paint, especially to young children. We have increased funding for lead-based-paint hazard reduction by \$10 million.

While most of the Department's programs are funded at last year's historically high levels or have received an increase, there have been a few well-publicized reductions.

One such program is the Public Housing Drug Elimination Program.

We need to restore confidence that the Department of Housing and Urban Development can carry out its core mission. We are not a law enforcement agency, or the Department of Justice, or the Office of the Drug Czar.

Although we have eliminated this \$309 million program, we have taken, as I mentioned earlier, \$150 million of those funds and placed them in the Public Housing Operating Fund so the authorities can continue those anti-drug efforts that work.

Another reduction in our budget occurs in the Public Housing Capital Fund. Let me make this clear – the Capital Fund will still have over a year's funding in reserve to address backlog needs and 100 percent of the funding necessary to cover the modernization and maintenance needs for fiscal year 2002.

The PHAs have over \$5.1 billion in backlog funding if you include those funds already released for FY 2001.

This budget encourages them to spend those funds to address their priority needs. The Department will also make every effort to distribute the funding in a timely manner.

Housing is more than a roof. It is the foundation that makes the fulfillment of all other needs possible, from health, to work, to education. It is the sturdy kitchen table on which parents review their children's homework. It is no mere cliché to call home ownership the American dream.

That dream is in danger of being squeezed. True, jobs have been plentiful. But many Americans have found decent and affordable housing near those jobs hard to come by.

Almost 5 million renter households have "worst case needs" for rental housing. This number represents an 8 percent decline over last year, but is still unacceptable. From the college student out on her own for the first time, to hardworking parents trying to make ends meet – it affects us all.

So I am pleased to mention one other very important addition to the President's budget that will help working families.

In order to expand the production of affordable housing, President Bush proposes to raise the limits for multi-family insurance by 25 percent. This is the first increase in nearly 10 years, and will significantly spur the development of affordable housing in moderate to high cost urban areas.

In closing, let me say that many in the past have labored mightily to strengthen management of this department. We have bright and dedicated people. But for all of this work, HUD still remains an agency with serious management challenges.

Another problem is an emphasis on programs instead of people, on dollars spent instead of results accrued.

The President is openly and strongly committed to focused programs and an efficient government that works. And my approach to the task will focus on four governing principles.

First, our mission will be to serve people, not programs.

Second, we will have the discipline to stick to our mission. Mission creep is mission death.

Third, we will be good stewards of our resources.

Fourth, we will observe the highest ethical standards. This means more than prosecuting graft. It means rejecting the subtler corruption of settling for good appearances rather than insisting on good results.

And as Mayor John Street of Philadelphia said last week, "if we continue to do business the way we have always done it, we will get what we always got."

The Congress has funded two important commissions – the Millennial Housing Commission and the Commission on Affordable Housing and Health Care Facility Needs in the 21<sup>st</sup> Century. The Department is looking forward to the recommendations of these Commissions.

This Agency is committed to continuing a strong relationship with Congress so that together we can make the Department of Housing and Urban Development an efficient and effective fighter on behalf of America's housing and community development needs.

Thank you.